

Export News and Opportunities

Every U.S. exporter wants to get paid. However, credit can make or break a deal. It can shift the advantage to you or to your competitor. That's why many exporters turn to the U.S. Department of Agriculture's (USDA) Export Credit Guarantee Programs. With USDA's guarantee behind the credit, you can arrange competitive financing with less risk. Your buyers may benefit too, from longer terms and lower rates. As of October 25, USDA has made available \$4.7 billion in credit guarantees to facilitate agricultural, fish, and forestry sales to selected countries. Invest the time to learn more about the Export Credit Guarantee Programs, (GSM-102) and Supplier Credit Guarantee Program (SCGP), to increase your sales and lower your risks. Use GSM and SCGP to avoid possible importer and foreign bank defaults on payments and ensure that American farm and food products continue to move to markets around the world. While USDA does not provide financing, it guarantees payments due to U.S. exporters in case the foreign banks or importers default. FY 2003 GSM and SCGP is effective October 1, 2002 through September 30, 2003. You may obtain a monthly list of commitment figures for GSM and SCGP at: <http://www.fas.usda.gov/excredits/Monthly/ecg.html>.

You may learn more about GSM-102 and SCGP regulations, country specific press releases and program announcements, and a Monthly Summary of Export Credit Guarantee Program Activity on the Internet at:

<http://www.fas.usda.gov/export.html>

GSM-102

The GSM-102 program makes available credit guarantees for sales of U.S. agricultural commodities overseas. USDA does not provide financing, but guarantees payments due from foreign banks. USDA typically guarantees 98 percent of the principal and a portion of the interest. The GSM-102 program covers credit terms from 90 days to 3 years.

Under the program, once a firm sale exists, the qualified U.S. exporter applies for a payment guarantee before the date of export. The U.S. exporter pays a fee calculated on the dollar amount guaranteed, based on a schedule of rates applicable to different lengths of credit periods. The CCC-approved foreign bank issues a dollar-denominated, irrevocable letter of credit in favor of the U.S. exporter, ordinarily advised or confirmed by the financial institution in the United States agreeing to extend credit to the foreign bank. The U.S. exporter may negotiate an arrangement to be paid as exports occur by assigning the U.S. financial institution the right to proceeds that may become payable under the guarantee, and later presenting required documents to that financial institution. Such documents normally include a copy of the export report. If a foreign bank fails to make any payment as agreed, the exporter or the assignee may file a claim with USDA for the amount due and covered by the guarantee. USDA will pay the U.S. bank and will take on the responsibility of collecting the overdue amount from the foreign bank.

On November 21, USDA authorized \$3 million in credit guarantees for sales of U.S. agricultural commodities to Ghana.

On November 20, USDA amended the GSM-102 program for the Caribbean Region for fiscal year 2003. This amendment adds the British Virgin Islands and the Cayman Islands to the list of eligible destinations.

On November 20, USA amended the GSM-102 program for South Korea. For applications received for guarantee coverage on or after the date of this announcement, the amendment allows for annual payment intervals on credit terms up to 3 years.

On November 14, USDA authorized \$15 million in credit guarantees for sales of U.S. agricultural commodities to Russia. Also \$25 million was allocated for credit guarantees for Vietnam.

Supplier Credit Guarantee Program (SCGP)

The SCGP is unique because it covers short-term financing extended directly by U.S. exporters to foreign buyers and requires that the importers sign a promissory note in case of default on the CCC-backed payment guarantee. The SCGP emphasizes high-value and value-added products, but may include commodities or products that also have been programmed under the GSM-102 program.

The SCGP encourages exports to buyers in countries where credit is necessary to maintain or increase U.S. sales but where financing may not be available without CCC guarantees. Under the SCGP, CCC guarantees a portion of payments due from importers under short-term financing (up to 180 days) that exporters have extended directly to the importers for the purchase of U.S. agricultural commodities and products. These direct credits must be secured by promissory notes signed by the importers. CCC does not provide financing but guarantees payment due from the importer.

On November 21, USDA authorized \$5 million in supplier credit guarantees for sales of U.S. agricultural commodities to Ghana under SCGP.

On November 20, USDA authorized \$5 million in supplier credit guarantees for sales of U.S. agricultural commodities to Jordan.

On November 14, USDA authorized \$20 million in supplier credit guarantees for sales of U.S. agricultural commodities to Russia. USDA also authorized \$10 million in supplier credit guarantees for sales of U.S. agricultural commodities to Vietnam.

GSM-102 and SCGP

For most countries and regions announced under the FY 2003 GSM-102 and SCGP, exporters may apply for credit guarantees on a first-come-first-served basis to cover sales of any of the eligible commodities published in FAS program announcement PR 0346-02, issued September 24, 2001 or as superseded. The following horticultural products are eligible under the export credit guarantee programs: dried fruit; fresh fruit; frozen fruit; canned fruit; 100-percent fruit juices; fruit and vegetable concentrates, pastes, pulps and purees; honey; hops or hops extract;

beer; tree nuts; fresh vegetables; canned vegetables; dried vegetables; wine; and brandy. The General Sales Manager will consider requests to establish an SCGP and/or GSM Program for a country or region or amend an authorized program to include horticultural commodities and products that are currently not eligible.

(For further information on the SCGP or GSM-102 Program for horticultural commodities, contact Yvette Wedderburn Bomersheim on 202-720-0911).